

STATE ALLOCATION BOARD

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Date: June 25, 2004

To: Interested Parties

Subject: **NOTICE OF THE STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE MEETING**

Notice is hereby provided that the State Allocation Board Implementation Committee will hold a meeting on Friday, July 9, 2004 (9:30 am - 3:30 pm) at 1500 Capitol Avenue (East End Complex) in Conference Rooms 72.149B and 72.151A (Sacramento, CA).

The Implementation Committee's proposed agenda is as follows:

1. Convene Meeting
2. Bidding Climate Report
Presentation of the Bidding Climate Report and determine the best approach for addressing the items outlined in the report.
3. Enrollment Projection Augmentation and Student Yield Factor
Discussion of the appropriate time limit for the reporting of dwelling units and other clarifying language on the Enrollment Certification/Projection form and discussion of consistent criteria used for Student Yield Factor studies.
4. Purchase and Conversion of Non-Conforming Buildings for School Use
Discussion to determine the need for regulatory amendments related to the funding of projects involving the purchase retrofit of buildings for school use.

Any interested person may present public testimony or comments at this meeting regarding the issues scheduled for discussion. Any public input regarding unscheduled issues should be presented in writing, which may then be scheduled for a future meeting. For additional information, please contact Liz Yokoyama at (916) 322-7627.

A handwritten signature in black ink, appearing to read 'Bruce B. Hancock', with a long horizontal flourish extending to the right.

BRUCE B. HANCOCK
Chairperson

BBH:LM:ly

IMPLEMENTATION COMMITTEE

Pending Items List

July 9, 2004

A. Future Items

- Increased Capacity for Replaced Facilities, SFP Regulation Section 1859.73.2
- Classroom Inventory Adjustments for Educational Program and Facility Transfers
- SFP – Project Rescission

B. Suspended Items

- None

STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE
July 9, 2004

BIDDING CLIMATE REPORT

PURPOSE

To discuss the Bidding Climate report presented at the June 2004 State Allocation Board (SAB) meeting and begin addressing the items outlined in the report.

BACKGROUND

School districts and design professionals engaged in the construction and modernization of facilities funded through the School Facility Program report significant difficulties in receiving competitive bids on projects. At the April 2004 SAB meeting, the Board requested staff to look into a number of issues and outline what the Office of Public School Construction could do administratively to help districts deal with the high bid climate.

In response, the attached Bidding Climate Report was presented to the SAB at its June 2004 meeting. The SAB requested staff and the Implementation Committee to discuss possible means of addressing the items outlined in the report, and to report back at a future SAB meeting.

DISCUSSION

After presentation of the entire report, staff wishes to discuss the following:

- Methodology for addressing the items outlined in the report.
- Class B Construction Cost Index utilized for the SFP.

Please refer to Page Two of the Bidding Climate Report.

REPORT OF THE EXECUTIVE OFFICER
State Allocation Board Meeting, June 23, 2004

BIDDING CLIMATE REPORT

PURPOSE OF REPORT

To report on the impact the bidding climate has had on the school construction industry.

DESCRIPTION

At the April 2004 State Allocation Board (SAB) meeting, the Board asked the Office of Public School Construction (OPSC) to look into a number of issues and requested the OPSC outline what the OPSC could do administratively to help districts deal with the high bid climate. Specifically, the following topics needed to be addressed:

- Construction Cost Index
- 18-month time limit on fund release
- Per pupil base grant

EXECUTIVE SUMMARY

School districts and design professionals engaged in the construction and modernization of facilities funded through the School Facility Program (SFP) report significant difficulties in receiving competitive bids on projects. Evidence of recently bid projects exceeding project budgets by unacceptable amounts has been provided to Staff. A review of five construction cost indexes published by three different private firms indicates that there has been an increase in construction costs statewide from 2 percent to 4.4 percent since the first of the year. As substantial as these increases are, they do not reflect the increases reported by school districts and project architects. The discrepancy appears to be primarily attributable to increased profit margins resulting from market inundation. New construction appears to have become a primary support of the California economy. Although possibly a short term issue, the current bid climate is having an effect on the ability of some districts to successfully bid school construction projects.

The requirement that all projects bid within 18 months of receipt of an apportionment has been met successfully on the overwhelming majority of SFP projects. Of the 4,700 projects that have been apportioned under the SFP since 1999, less than 100 have not met the 18-month requirement. However, some school districts report that in order to meet the timeline, they have been forced to accept bids in excess of the budget. The OPSC strongly supports the retention of the 18-month requirement; however, Staff concedes that in some recent projects under the current bid climate, it may have been met at a premium cost.

The issue of the adequacy of the grants is too large to be addressed in this brief report. School district organizations are looking into the matter, and the OPSC and SAB have representatives in those discussions.

The complete "Bidding Climate Report" with supporting charts is included as an Attachment to this report.

CONSIDERATIONS

The SAB administers the SFP under statute which prescribes the amount of the per pupil grant that can be apportioned to qualified school districts. The SAB has very limited latitude to address the problems and issues associated with an overheated construction climate and the corresponding loss of competitive bidding. Most of the possible 'solutions' that might have a substantial effect on the current situation must be accomplished through legislation. Given that some of the market issues may change in the next twelve months, it may be that legislative change in some instances would be too late and possibly unwarranted.

(Continued on Page Two)

CONSIDERATIONS (cont.)

The OPSC has identified a number of possible approaches to mitigate the current bid climate situation. Except as may be reflected in comments in "The Bidding Climate Report", Staff makes no recommendations as to the merit of particular ideas.

1. Create an additional grant for technology which includes computers, wiring and equipment to support computers and additional power to operate computers. Allow this grant to be used for installing Electronic Monitoring Systems into schools (regulatory change).
2. Provide an additional eligible category of site development costs similar to the general site funding provided in the Lease Purchase Program (regulatory change).
3. Change the Class B Index currently used by the SAB. Consider using the Marshall and Swift index for the eight California cities only (regulatory change).
4. Modify existing law that requires an annual adjustment to the per-pupil grant utilizing the Class B Index to allow for a more frequent (semi-annually, quarterly or monthly) adjustment of the Index (requires legislative remedy).
5. Adjust the State apportionment according to the construction cost index in effect as of the date of the bid opening (requires legislative remedy).
6. Modify existing law to allow for the SFP per pupil grant to be reviewed every five to ten years and allow the SAB to reestablish the base grant based upon current Title 24 code requirements (requires legislative remedy).
7. Limit the amount of funding made available in a specific period of time through staggered apportionments (regulatory change).

ATTACHMENT C
State Allocation Board Meeting, June 23, 2004

REPORT SOURCES

The OPSC relied primarily on information gathered from architects, design professionals and various trade publications and information gathered from the administration of the State school building programs. The following is a complete listing of the sources used:

- Funds Released by Month from Proposition 1A and 47 (Funds released from March 1999 through May 2004)
- Comparison of CCI Indices
This chart compares various Marshall & Swift Indices with the Engineer's News Report and Lee Saylor Index from January 2004 through May 2004 – Attachment A
- Comparison of CCI Indices
This chart compares various Marshall & Swift Indices with the Engineer's News Report and Lee Saylor Index from January 1999 through January 2004 - Attachment B

The following resources are not included in this report, however, were used as additional references:

- Lee Saylor Index
A summary report prepared by the Sierra West Group, Construction Consultants for Saylor Publications, Inc showing an average one-year increase in labor, material and subcontracting costs.
- School Facility Program Projects for New Construction/Modernization approved under Propositions 1A, 47 and 55.
- Marshall and Swift Class B Building Indexes for 10 Western States, 8 California Cities, and San Francisco/Los Angeles
- California Department of Finance, *California Economic Indicators* (January/February 2004)
- Interviews with Architects and Design professionals
The OPSC staff conducted interviews relating to issues that impact the current construction climate.

BIDDING CLIMATE

The bidding climate is comprised of many different factors that control the price of materials used in manufacturing; the number of contractors, inflation, labor costs and the State's economy to name a few. Many of these are factors that cannot be controlled by the SAB and are dictated by the market through supply and demand.

There has been concern expressed over whether the nearly \$18 billion in funding allocated by the SAB since 1999 has had a strong adverse effect on the bidding climate. With billions of dollars of State funding released, are there enough qualified contractors to meet the demand for building/modernizing of schools? The SAB at its meeting in December 2002 allocated nearly \$5.4 billion which represented 1,931 new construction and modernization projects ready for construction. Although a large number of these projects which had been on waiting lists for as much as two years had already been bid, many more went to bid in the months immediately following the apportionments. These projects may have taken much of the available material and labor supply. Districts that followed that initial surge by bidding projects during the latter part of 2003 and into 2004 have seen a subsequent rise in the costs of various materials, especially lumber, concrete and steel.

The bonding requirement for public works contracts and the special nature of the Field Act keep most small contractors and subcontractors out of the competition for school projects. Additionally, prevailing wage and other reporting and contracting requirements of public works projects may keep some intermediate and large contractors from competing in the school construction market, especially when the general construction market is hot. At the same time that large amounts of school construction funds were flowing into the economy, new home construction was booming in California. It remains strong in 2004. Contractors that build new homes and commercial projects use many of the same subcontractors for their work as they do for school projects. Thus, activity in the non-school construction market may have had an additional effect on the already active school construction arena.

The disparate increases in the bids that districts have reported to the OPSC are believed to be caused by a mixture of limited contractors and the anticipated increase in the price of materials. Both of these factors in turn produce a domino effect for contractors and suppliers to inflate estimates so that when these projects are ready to be constructed, the contractors have accounted for the increase in materials. Based upon these assumptions, the OPSC believes the State funding allocated to districts from the December 2002 SAB meeting, combined with a very active California construction market, may have caused pockets of high bids where the market may have been flooded and the availability of contractors may be limited. The OPSC believes that this will be short-lived as the amount of funding being allocated has leveled off; however, in the future, it may be advisable to stagger apportionments when faced with funding requests for large numbers of projects.

Comments/Interviews

While conducting interviews with architects and design professionals, the OPSC received information that included both written and verbal comments regarding the difficulty of obtaining a sufficient number of responsive bidders or receiving competitive pricing on specific projects. These individuals argued that the 18-month time requirement to request a fund release is too restrictive and should be extended. Many stated that bids for school projects were in excess of the architect's estimate and with the requirement of the 18-month timeframe to request a fund release, districts are forced to accept these high bids. The OPSC does not collect and track bid information and while these comments albeit may reflect issues in some areas in the State, they do not consider other factors. These factors include but are not limited to whether the project was designed within the State/district apportionment, if significant modifications were made to the plans and specifications or if the architect's original cost estimate reflected current costs of labor/materials.

Construction Cost Index

The SAB is statutorily required to use a Class B Building index and to adjust the basic per-pupil grant that is the foundation for the apportionments made under the SFP on an annual basis. In its analysis, the OPSC examined several different Class B Building construction cost indices for the last five months in 2004 (see Attachment A) and for the last five years from 1999 to 2004 (see Attachment B). Our findings are summarized below with a brief description of the indices' methodology.

Marshall & Swift Company

The Marshall & Swift (M&S) Company produces a regular cost index (concrete and steel construction) designed to adjust base costs to current market conditions. The M&S Construction cost index tracks 12 kinds of materials from a minimum of two to five suppliers. If the costs are the same after two sources, the M&S uses the average of two similar costs. If costs vary, up to five suppliers are tracked, plus sales tax. Six trades are tracked; common labor, electricians, bricklayers, carpenters, structural iron workers and plumbers.

Marshall & Swift Company – Based on 10 Western States

5 Month Accumulative Inflation: 1.99 Percent

5 Year Accumulative Inflation: 15.3 Percent

The SAB/OPSC currently uses a M&S Class B Building Index that represents the 10 western states to adjust certain program-related costs. This includes states such as Idaho and Montana and might not represent the costs associated with the California market.

Marshall & Swift Company – Based on 8 California Cities

5 Month Accumulative Inflation: Not Available

5 Year Accumulative Inflation: 15.9 Percent

The OPSC reviewed an additional index produced by the M&S for the Class B Building Index for eight cities in California.

Marshall & Swift Company – Based on San Francisco and Los Angeles, California

5 Month Accumulative Inflation: Not Available

5 Year Accumulative Inflation: 18.0 Percent

The M&S also produces a Class B Building Index based on costs in the Los Angeles and San Francisco areas only, that the OPSC reviewed as part of this report.

Lee Saylor Index (LSI) – California

5 Month Accumulative Inflation: 2.89 Percent

5 Year Accumulative Inflation: 19.6 Percent

This index is prepared by the Sierra West Group, Construction Consultants for Saylor Publications, Inc. showing an average one-year increase in labor, material and subcontracting costs. The LSI Cost Indices represent material and labor including subcontractor's prices which includes 23 selected materials and 21 basic in-place materials used by subcontractors. Nine trades are tracked; carpenters, bricklayers, ironworkers, laborers, painters, engineers, plasterers, plumbers, electricians and teamsters. The index is composed of 64 percent labor and 46 percent material and is based upon data from California cities.

Engineering News-Record/California Construction Cost Index - San Francisco and Los Angeles

5 Month Accumulative Inflation: 4.38 Percent

5 Year Accumulative Inflation: 5.4 Percent

The Engineering News-Record (ENR) obtains their inflation rate for the United States from the M&S as well as the average change for the 95 cities in the United States. The ENR's building cost index tracks monthly three types of material; structural steel, Portland cement, and 2X4 lumber using spot pricing collected from a single source in each city. The average of 20-city wage-fringe labor rates for three trades are tracked; bricklayers, carpenters, and structural iron workers. This index is used by the Department of General Services, Real Estate Services Division and the other State agencies.

The OPSC reviewed the Class B Building indices from January 2004 to May 2004 and there has been a steady rise in the index with an accumulated increase that varies from nearly two percent to just over four percent. These indices reflect a rise in construction costs which may be due to the rise in concrete and steel and light frame construction (see Attachment A). However, this rise does not reflect the increase reported to the SAB and the OPSC.

Although there is an increase in materials and labor as indicated from several indices reviewed, it is not commensurate with the high bids that districts are experiencing. The highest accumulative index, the LSI, is 19.6 percent which would be an average of 3.8 percent increase per year (see Attachment B).

18-MONTH TIME LIMIT ON FUND RELEASE

The 18-month requirement for a fund release was set forth in Senate Bill 50 which was created in August 1998. It was a new requirement as compared to the previous State school building program, the Lease-Purchase Program (LPP). This requirement requires districts to certify that they have a contract ready for construction within 18 months of the apportionment date. The SFP grant is processed for release when the district submits a Form SAB 50-05, *Fund Release Authorization*. When signing this form, the district is certifying that it has entered into a binding contract(s) for at least 50 percent of the construction included in the plans applicable to the State funded project, and has issued the Notice to Proceed for that contract.

During the OPSC interviews with architects, they indicated that the 18-month time requirement to request a fund release is too restrictive and should be extended. It is argued that extending the 18-month requirement will give districts more flexibility in timing bids to minimize the flooding of the market, and to anticipate rising costs in labor and materials. Furthermore, if a bid came in too high or there was a lack of bidders to ensure competitive pricing, the additional time would allow the district to time its bid and avoid bidding during the spring and summer months when school construction demand is at its highest. Also, this additional time would allow the architect to perform value engineering if necessary to evaluate the cost of the project and redesign the project. Although these considerations have merit, the intent of the SFP was to have the district and its architect design and have a project ready to be built as soon as the SAB allocated the funding. The SFP requires that new construction or modernization plans be Division of the State Architect (DSA) approved and all site selection and any site cleanup measures be performed prior to funding to enable districts to bid the project immediately after the SAB apportionment. Therefore, the 18-month timeframe should provide adequate time for a district to bid the SAB approved project.

The vast majority of projects which received new construction and modernization funding from the inception of the SFP have submitted their fund release authorization form to the OPSC as identified by the total number of funds remaining to be released to districts. Since the beginning of the SFP in 1999 through May 2004, the OPSC has released nearly \$14.4 billion under the SFP which represents 4,695 new construction and modernization projects. A report ran by the OPSC indicates that the average number of days between the date of SAB apportionment and the submittal date of the

fund release authorization form since 1999 was 101 days for new construction and 163 days for modernization. This represents approximately three to six months which further indicates that the majority of the projects that have been apportioned have contracts in place. In reviewing this data at face value, it could indicate that there is no unusually strong reaction to the large amount of bond funding that has been apportioned by the SAB. The projects appear to be proceeding without undue delay.

Furthermore, the construction cost index that is in effect at the time the apportionment is made to adjust for inflation becomes ineffective the longer it takes a project to be bid. Extending the 18-month timeline only exacerbates the problem of competitive bidding. Therefore, the OPSC does not recommend a change to the 18-month requirement for fund release. The OPSC believes that the intent of a set timeframe for fund release was to ensure that the construction of schools and the modernization of facilities were realized. In addition, the 18-month timeframe is a fundamental reason for the success of the SFP. Based upon the above reasons, the OPSC does not believe any changes to the 18-month time limit to request funding is necessary.

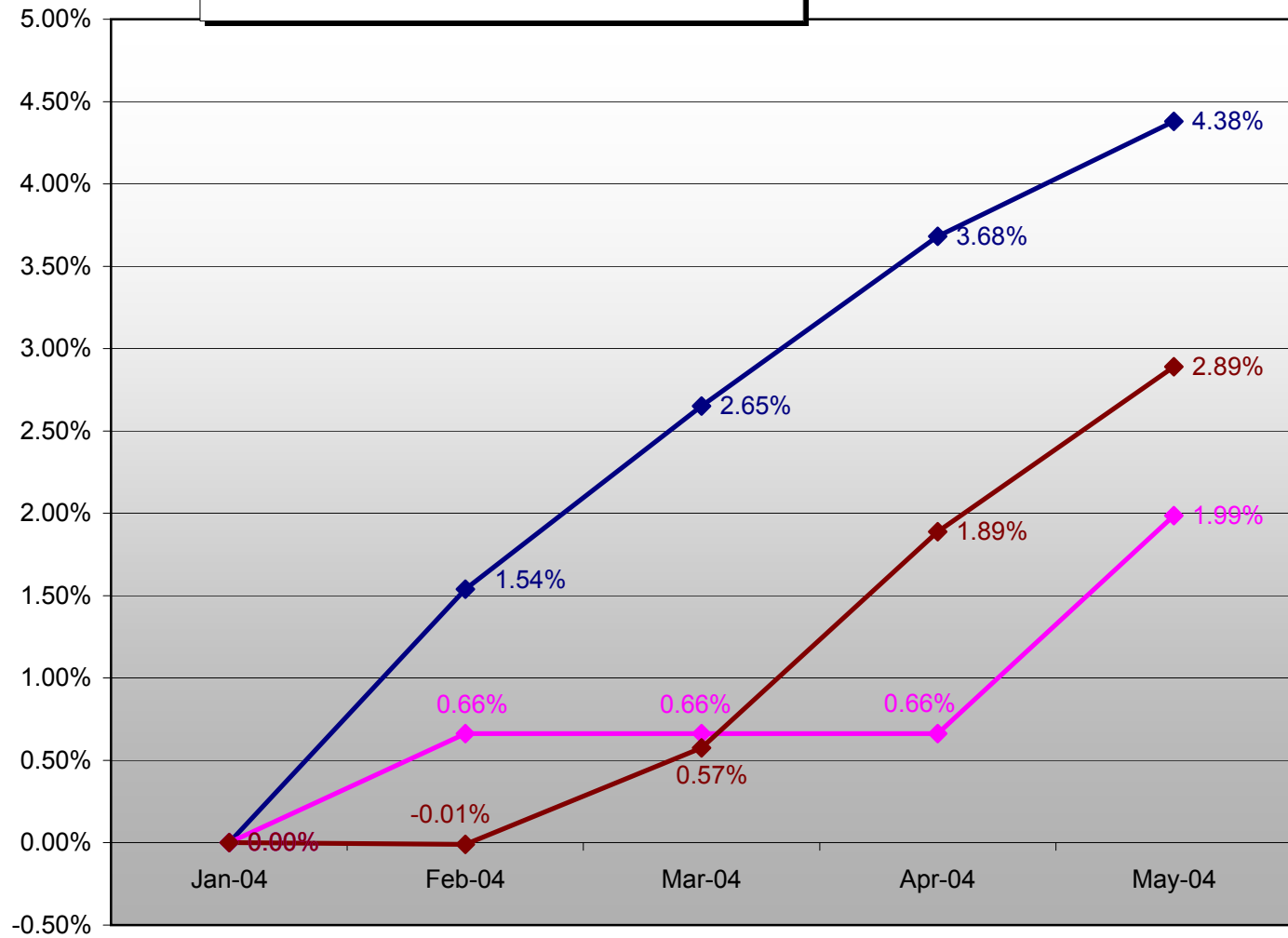
SFP PER PUPIL BASE GRANT

An examination of the adequacy of the per pupil grant specified in law is beyond the scope of this Report. The original grant amount was developed from information on the apportionments made to 100 projects of various grade levels in the LPP. School district groups are looking into the matter of the adequacy of the per pupil grant. Representatives of the OPSC, SAB and California Department of Education have been invited to participate.

The grant, along with amounts for site development and site acquisition, make up the total funding that may be apportioned to a project. Staff does recommend further review of the funding made available through SAB regulation for the purposes of site development to ensure that all appropriate costs are included.

Attachment A
CONSTRUCTION COST INDEXES COMPARISON
From Jan. 2004 To May 2004

ACCUMULATIVE INFLATION PERCENTAGE

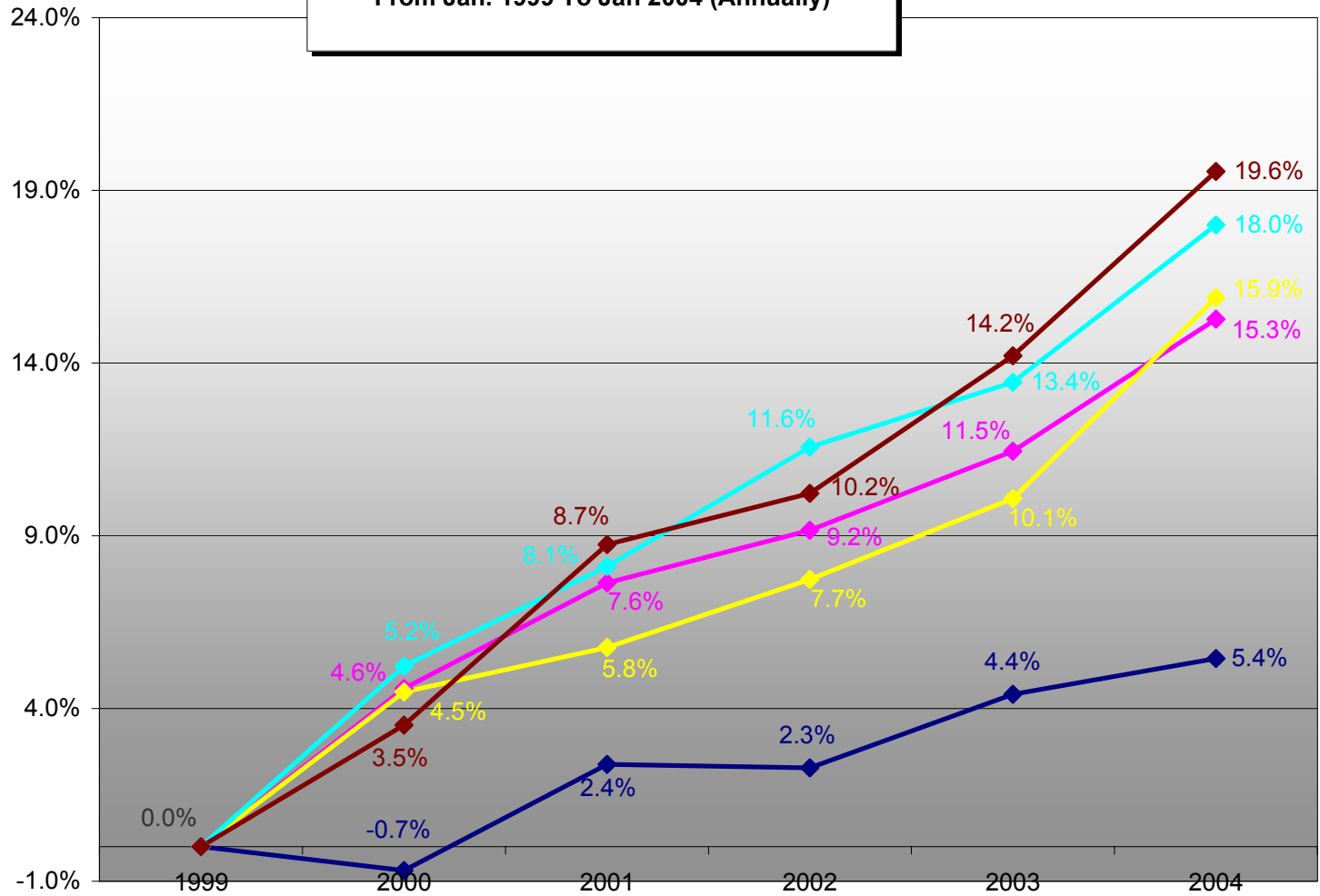


	Jan-04	Feb-04	Mar-04	Apr-04	May-04
ENR/BCI ACCUM. % S.F. & L.A.	0.00%	1.54%	2.65%	3.68%	4.38%
M&S ACCUM. % 10 W. STATES CLASS B	0.00%	0.66%	0.66%	0.66%	1.99%
LSI CI % CALIFORNIA	0.00%	-0.01%	0.57%	1.89%	2.89%

Data for "M&S CCI % 8 CAL. CITIES CLASS B" and "M&S CCI % S.F. & L.A. CLASS B" is not available.

Attachment B
CONSTRUCTION COST INDEXES COMPARISON
 From Jan. 1999 To Jan 2004 (Annually)

ACCUMULATIVE INFLATION PERCENTAGE



	Jan-99	Jan-00	Jan-01	Jan-02	Jan-03	Jan-04
ENR/BCI % S.F. & L.A.	0.0%	-0.7%	2.4%	2.3%	4.4%	5.4%
M&S CCI % 10 W. STATES CLASS B	0.0%	4.6%	7.6%	9.2%	11.5%	15.3%
M&S CCI % 8 CAL. CITIES CLASS B	0.0%	4.5%	5.8%	7.7%	10.1%	15.9%
M&S CCI % S.F. & L.A. CLASS B	0.0%	5.2%	8.1%	11.6%	13.4%	18.0%
LSI CI % CALIFORNIA	0.0%	3.5%	8.7%	10.2%	14.2%	19.6%

State Allocation Board Implementation Committee
July 9, 2004

Dwelling Unit and Student Yield Factor Augmentations

PURPOSE

To discuss the point in time in which dwelling units are no longer eligible to be reported on the *Enrollment Certification/Projection* (Form SAB 50-01) and to clarify regulatory language. Additionally, Staff will clarify the Student Yield Factor report guidelines when requesting a higher yield factor than the statewide averages to ensure continuity throughout the State.

The attachments provided are listed below:

- Attachment A – Suggested End Points for Reporting Dwelling Units – Pros/Cons
- Attachment B – Form SAB 50-01
- Attachment C – Regulatory Clarifications
- Attachment D – Government Code relating to the Student Yield Factor

DWELLING UNIT BACKGROUND

From the inception of the School Facility Program (SFP), school districts have been able to augment the five-year projection based on the number of pupils that will reside in dwelling units included in approved and valid tentative subdivision maps. The purpose of this augmentation is to allow school districts time to plan for the pupils that will be enrolled in their school district. The augmentation allows school districts to use eligibility today to plan for pupils needs in the future. Any request to include dwelling units on the Form SAB 50-01 required district certification that the local planning commission or approval authority has approved the tentative subdivision maps. This certification also is required to state that the tentative subdivision maps used to support the request are available at the district for Office of Public School Construction (OPSC) verification.

DWELLING UNIT AUTHORITY

The Education Code Section (ECS) 17071.75 (a) states that the "board may supplement the cohort survival enrollment projection by the number of the unhoused pupils that are anticipated as a result of dwelling units proposed pursuant to approved and valid tentative subdivision maps."

DWELLING UNIT DISCUSSION

Education Code Section 17071.75(a) does specify the point in time when the tentative tract map can be counted, but it does not specify a point in time when a final tract map can no longer be counted. The OPSC has conducted numerous reviews throughout the State and there are different opinions as to when a school district should stop reporting dwelling units. Currently, the OPSC requires districts to stop reporting dwelling units at the time permits are being pulled. However, some districts feel this is too restrictive and that dwelling units should be counted until the date of occupancy.

For purposes of discussion, Staff has determined the following points to be considered based on discussions with various districts throughout the State:

- The point in time permits are pulled
- The point in time permits are pulled, plus 6 months
- The point in time the dwelling unit is occupied.
- A chart identifying some of the Pros/Cons on Attachment A

Permits are Pulled

Currently, the OPSC has been using the date permits are pulled as an ending point to report dwelling units. The basis for this decision can be found in Education Code Section 17071.75(a) which states a school district can report "...dwelling units **proposed** pursuant to approved and valid tentative subdivision maps". The OPSC has interpreted the word "proposed" to mean a subdivision that has not yet been built. Thus, the OPSC has permitted school districts to report dwelling units up until the point permits have been pulled on that subdivision. Since construction can not begin until permits are pulled, Staff feels this is a consistent stopping point that can be used throughout the State.

Permits are Pulled, Plus Six Months

This option would allow districts to report dwelling units six months beyond the date the permit is pulled for construction. For districts that are encountering fast growing developments, subdivisions may receive final approval and pull permits before the district can submit the next years update. Therefore, allowing a school district an additional six months to capture those dwelling units may more accurately help a district plan for future growth.

Date of Occupancy

This option would allow a school district to report dwelling units until the date of occupancy and maintain their current eligibility until the pupils are reported in the enrollment. This would eliminate any possibility of a time gap in which a district may lose eligibility due to the inability to report a dwelling unit. In order to utilize this opportunity, a clear definition would have to be established as to what constitutes the date of occupancy that would be consistent throughout the State. As this is not yet defined, it is difficult to assess the availability of a uniform and auditable document for districts and Staff. Assuming a clear definition is established, what would be the availability for districts to gain the necessary documentation to substantiate the dwelling units requested?

STUDENT YIELD FACTOR BACKGROUND

Another aspect of calculating the five year projection involves multiplying the statewide student yield factor by the number of dwelling units to be constructed within the district boundaries. Districts have two student yield factor options; the statewide averages or a district may request a student yield factor above the statewide average if the submitted study justifies a higher yield. The statewide average student yield factors are as follows:

- | | |
|------------------------------|--------------------------------|
| • Elementary School District | 0.5 students per dwelling unit |
| • High School District | 0.2 students per dwelling unit |
| • Unified School District | 0.7 students per dwelling unit |

When a district submits it's own student yield factor report, the OPSC will review these reports on a case-by-case basis. Districts submit studies that often lack details necessary to determine

the scope of the study, the source of the data, the period of time, or the type of units considered. The information provided may be inconsistent with other districts' thus creating inequitable projected enrollment comparisons.

STUDENT YIELD FACTOR DISCUSSION

When requesting a higher student yield factor, districts should be reporting the student yield factor determined utilizing the following methodology: "...project the number of un-housed elementary, middle, and high school pupils generated by new residential units, in each category of pupils enrolled in the district. This projection of un-housed pupils shall be based on the historical student generation rates of new residential units constructed during the previous five years that are of a similar type of unit to those anticipated to be constructed ... in which the school district is located..." If all districts requesting a student yield factor that is higher than the statewide averages, and use the same methodology to calculate the higher yield factor, then the resulting enrollment projections would be more equitable from district to district.

ATTACHMENT A

Suggested Stop Points for Reporting Dwelling Units – Pros/Cons

	PROS	CONS
Permits Pulled	<ol style="list-style-type: none"> 1. Ability to substantiate information 2. Consistent with current practice 3. Still provides an incentive for early planning 	<ol style="list-style-type: none"> 1. Creates a gap of time between permits pulled and actual enrollment 2. Possible loss of eligibility due to time gap 3. Disadvantage in fast paced developments
Permits Pulled, Plus Six Months	<ol style="list-style-type: none"> 1. Ability to substantiate information 2. Manages a fast paced development 3. Maintain current level of eligibility 	<ol style="list-style-type: none"> 1. Assumes continual economic progress 2. Possibility of double reporting 3. Disincentive for early planning
Occupancy Date	<ol style="list-style-type: none"> 1. Manages a fast paced development 2. Maintains a current level of eligibility 	<ol style="list-style-type: none"> 1. Assumes continual economic progress 2. More likely to encounter double reporting 3. Difficulty in tracking information? 4. What is the definition of date of occupancy? 5. Disincentive for early planning

GENERAL INFORMATION

To determine a district's initial eligibility for new construction funding under the School Facility Program, the district must provide enrollment information for the current and previous three years on this form. After the initial submittal, this form need only be resubmitted when the district requests additional new construction funding in a new enrollment year or as a result of a reorganization election that affects either the district's enrollment or existing school building capacity.

The following documentation must be submitted with this form (as appropriate):

- Specific enrollment data for district's with current enrollment that is less than 300 if the district is requesting an enrollment projection based on five-year average enrollment data (refer to Part A).
- A copy of the study supporting student yield factors if the district is requesting an augmentation of it's enrollment projection due to pupils residing in new dwelling units and it is not using the State yield factors (refer to Part F).

A high school district, unified school district, or county superintendent of schools may file on a high school attendance area (HSAA) basis or Super HSAs as provided under Education Code Section 17071.76 and Section 1859.41. In that case, the enrollment used on this form is the current and three previous years enrollment in the HSAA or Super HSAA.

This form is not used for modernization funding applications.

PART A. ENROLLMENT DATA—(to be completed by school districts or the county superintendent of schools)

The information needed to complete this form is based on the latest California Basic Education Data Systems (CBEDS) that is available approximately October 15th of each year. Applications filed on or after November 1st must include the current school year enrollment. Report the current year and the three prior years K–12 enrollment. High school districts report the unduplicated enrollment data for grades served by the district and all feeder elementary school grades for the current year and the previous three years.

As an option, school districts with less than 300 current enrollment may report the previous five year average for any grade level for any year when the enrollment for that grade level has decreased by more than 50 percent from the previous year. If this option is used, the district must identify each grade level where this option is used on Form SAB 50-01 and attach the appropriate enrollment documentation to support this request.

County superintendents report the enrollment for community school students as reported in April prior to the latest CBEDS report.

The enrollment data must include all off-track and on-track students attending multi-track year round schools, students living outside the district's boundaries but attending schools in the district, students receiving Classroom-Based Instruction in Charter Schools located within the district boundaries and are enrolled in the same grade levels or type served by the district regardless if the district chartered the school, students attending magnet schools, community school students, and students attending independent study.

Do not include students living in the district's boundaries but attending other districts, students attending regional occupational programs, students attending preschool programs, other students not generally considered K–12 students including adult education

students, students receiving Classroom-Based Instruction in Charter Schools located within the district boundaries but are enrolled in grade levels or type not served by the district, students living inside district boundaries but are receiving Classroom-Based Instruction in Charter Schools located outside the district boundaries, students receiving Nonclassroom-Based Instruction, juvenile court/court school students, special day class pupils, or continuation high school pupils.

PART B. PUPILS ATTENDING SCHOOLS CHARTERED BY ANOTHER DISTRICT

Of the data reported in Part A of this form, indicate the aggregate pupil enrollment attending schools chartered by another district which are located within your district boundaries for the current year and the three prior years. If the district is reporting pupils attending schools chartered by another district for the current year, then the district must submit a separate letter with the following information:

- The total Charter School enrollment listed by each of the K–12 grade levels reported for the current year.
- A list of the other school district(s) that chartered school(s) within your boundaries. Include the Charter School name(s) and total school enrollment.

For the previous years, report the total enrollment for pupils attending schools chartered by another district, if known. If the information is not available, enter N/A. In this case, the OPSC will adjust the previous years' enrollment data based on a prorated basis of the rate of growth or decline of the previous years' enrollment.

Enter 0 if there are no pupils attending schools chartered by another district within your district boundaries for the current or previous years.

PART C. CONTINUATION HIGH SCHOOL—(to be completed by school districts only)

Report the continuation high school enrollment for the current year and the three previous years. For purposes of projecting the enrollment, these pupils will be added to the enrollment data in Part A.

PART D. SPECIAL DAY CLASS PUPILS—(to be completed by school districts or the county superintendent of schools)

Report the pupils attending the special day classes as shown and reported to the California Department of Education in December prior to the latest CBEDS report. Use pupil descriptions as provided in Section 1859.2 for Non-Severely Disabled Individual with Exceptional Needs and Severely Disabled Individual with Exceptional Needs.

PART E. SPECIAL DAY CLASS ENROLLMENT—(to be completed by county superintendent of schools only)

Report the total of special day class pupils in all categories for the three previous years.

PART F. NEW DWELLING UNITS—(to be completed by school districts only)

The district may augment the enrollment projection based on the number of pupils that will reside in dwelling units included in an approved subdivision map or valid tentative subdivision map. The district must certify as part of this form that the local planning commission or approval authority has approved the tentative subdivision map that is currently valid (i.e., the approval from the planning commission or approval authority has not expired) and the district has identified the dwelling units in that subdivision map to be constructed. All proposed dwelling units in that subdivision may be used to augment the district's enrollment projection. Report those dwelling units in Part E. Any request for augmentation of the district's enrollment projection must be made by separate letter from the district with this form. The district must certify as part of this form that the approved or valid tentative subdivision map(s) used to support this request are available at the district for OPSC verification; are anticipated as a result of proposed dwelling units included in approved and valid tentative or final subdivision maps. The district must provide the approval dates of the maps by the local planning commission or approval authority; the number of dwelling units to be built in the subdivision (the number of dwelling units approved less any permits pulled for construction within each subdivision); and one of the following:

- An approved and valid tentative or final subdivision map with the local planning commission or approval authority stamp located on the map, or
- An approved and valid tentative or final subdivision map with supporting documentation, or
- A spreadsheet or the OPSC dwelling unit worksheet listing all of the subdivisions reported on the Form SAB 50-01 with supporting documentation. If the district wishes to utilize this option, please note that when the district representative signs the Form SAB 50-01, he/she is certifying that the tract maps are on file at the district office and available for OPSC review if requested.

Supporting documentation is defined as one of the following:

- Local planning commission or approval authority meeting minutes detailing the approval of the map. If the approval was given an extension, please provide the most current meeting minutes indicating the approval of the extension request. Dwelling units contained in expired maps may not be reported on the Form SAB 50-01, or
- A letter from the local planning commission or approval authority indicating that the tract map is approved and valid as of the signature date of the Form SAB 50-01, or
- Any other reasonable documentation from the local planning commission or approval authority that indicates the tract map is approved and currently valid.

Report the determined number of dwelling units in Part F.

PART G. YIELD FACTOR—(to be completed by school districts only)

Report the district's student yield factors as defined in Section 1859.2, if different than the statewide average student yield factor. The statewide average student yield factors are as follows:

- Elementary School District..... 0.5 students per dwelling unit
- High School District..... 0.2 students per dwelling unit
- Unified School District..... 0.7 students per dwelling unit

Should the district wish to use its own student yield factors, a copy of the district's study that justifies the student yield factors must be submitted with this form.

PART H. FIVE YEAR PROJECTED ENROLLMENT—Used for School Facility Program. To be completed by the Office of Public School Construction (OPSC).

PART I. ONE YEAR PROJECTED ENROLLMENT—Used for State Relocatable Program. To be completed by the OPSC. Do not manually complete Parts H or I.

Complete this form manually, sign, date, and submit to the OPSC for computations. A completed copy of this form with the enrollment projections will be returned to the district.

The methodology for calculating the district's projected enrollment is outlined in Sections 1859.42 and 1859.43.

SCHOOL DISTRICT	FIVE DIGIT DISTRICT CODE NUMBER (SEE CALIFORNIA PUBLIC SCHOOL DIRECTORY)
COUNTY	HIGH SCHOOL ATTENDANCE AREA (HSAA) OR SUPER HSAA (IF APPLICABLE)

PART A. ENROLLMENT DATA—(Districts or County Superintendent of Schools)

Grade	3rd Previous	2nd Previous	Previous	Current
	/	/	/	/
K				
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
Total				

PART B. PUPILS ATTENDING SCHOOLS CHARTERED BY ANOTHER DISTRICT

3rd Previous	2nd Previous	Previous	Current

PART C. CONTINUATION HIGH SCHOOL—(Districts only)

Grade	3rd Previous	2nd Previous	Previous	Current
	/	/		
9				
10				
11				
12				

PART D. SPECIAL DAY CLASS PUPILS—(Districts or County Superintendent of Schools)

Elementary		Secondary		Elementary		Secondary	
Non-Severe	Severe	Non-Severe	Severe	Non-Severe	Severe	Non-Severe	Severe
MR				OI			
HH				OHI			
DEAF				SLD			
HI				DB			
SLI				MH			
VI				AUT			
SED				TBI			
				TOTAL			

PART E. SPECIAL DAY CLASS ENROLLMENT—(County Superintendent of Schools only)

3rd Previous	2nd Previous	Previous

PART F. NUMBER OF NEW DWELLING UNITS

PART G. DISTRICT STUDENT YIELD FACTOR

PART H. FIVE YEAR PROJECTED ENROLLMENT—**School Facility Program Projections**
(Except Special Day Class pupils only)

K-6	7-8	9-12	Total

Projections—Special Day Class Pupils Only

Elementary		Secondary		Elementary		Secondary	
Non-Severe	Severe	Non-Severe	Severe	Non-Severe	Severe	Non-Severe	Severe
MR				OI			
HH				OHI			
DEAF				SLD			
HI				DB			
SLI				MH			
VI				AUT			
SED				TBI			
				TOTAL			

PART I. ONE YEAR PROJECTED ENROLLMENT—**State Relocatable Program Projections**
(Except Special Day Class pupils only)

K-6	7-8	9-12	Total

Projections—Special Day Class Pupils Only

Elementary		Secondary		Elementary		Secondary	
Non-Severe	Severe	Non-Severe	Severe	Non-Severe	Severe	Non-Severe	Severe
MR				OI			
HH				OHI			
DEAF				SLD			
HI				DB			
SLI				MH			
VI				AUT			
SED				TBI			
				TOTAL			

I certify, as the District Representative, that the information reported on this form is true and correct and that:

- I am designated as an authorized district representative by the governing board of the district.
- If the district is requesting an augmentation in the enrollment projection pursuant to Section 1859.42 (b), the local planning commission or approval authority has approved the tentative subdivision map used for augmentation of the enrollment and the district has identified dwelling units in that map to be contracted. All subdivision maps used for augmentation of enrollment are available at the district for review by the OPSC.
- This form is an exact duplicate (verbatim) of the form provided by Office of Public School Construction. In the event a conflict should exist, then the language in the OPSC form will prevail.

SIGNATURE OF DISTRICT REPRESENTATIVE	DATE
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ATTACHMENT C

Article 5. Enrollment Projections

Section 1859.42. Projecting Non-Special Day Class Enrollment.

The district enrollment, as reported on the Form SAB 50-01, shall be used to calculate the district's projected enrollment other than Special Day Class enrollment. The OPSC shall use the following methodology to determine the districts projected enrollment:

- (a) All projected enrollment with the exception of Special Day Class enrollment shall be calculated pursuant to the cohort survival enrollment projection system which is described as follows:
 - (1) For all grades, determine the numerical change in enrollment between the current grade and the next lower grade in the previous year; determine the numerical change in enrollment between the previous year grade and the next lower grade in the second previous year; determine the numerical change in enrollment between the second previous year grade and the next lower grade in the third previous year. Determine the numerical change of kindergarten enrollment on the second previous and third previous year respectively.
 - (2) Compute the annual change in enrollment as explained in (1) for each grade. The annual change shall then be weighted by multiplying the most recent annual change in enrollment by three, the next most recent annual change by two, and the earliest annual change by one, and dividing the sum of the annual weighted changes for each grade by six. The result shall be the average annual change.
 - (3) Progress the latest reported enrollment through the five-year projection period, modifying the grade progression each year by the average annual change for each grade as computed in (2).
- (b) The enrollment projection will be augmented based on the number of pupils as reported by the district on Form SAB 50-01, that will reside in dwelling units included in an approved ~~subdivision map or~~ and valid tentative or ~~final~~ subdivision map that exceed the number of pupils projected as a result of the cohort survival method for that ~~tentative or final~~ subdivision map. The augmentation shall be as follows:
 - (1) Progress the current enrollment as reported on Form SAB 50-01, for one year for each grade level. For kindergarten, the progressed current enrollment shall be the same as the reported current enrollment.
 - (2) Subtract the current enrollment progressed one year for each grade level from the one-year projection of enrollment for each grade level as determined in (a). If the computation results in a negative number, the number shall be deemed zero.
 - (3) Divide the current enrollment progressed one year for each grade level by the sum of the current enrollment progressed one year in all grade levels.
 - (4) Multiply the number of housing units in the approved and valid tentative or final ~~subdivision map or~~ subdivision maps by the pupil yield factor provided on the Form SAB 50-01.
 - (5) Multiply the number of pupils determined in (4) by the percentages determined in (3) for each grade.
 - (6) Subtract five times the value determined in (2) from the value determined in (5). If the computation results in a negative number, the number shall be deemed zero.
 - (7) Add the value in (6) to the fifth year of projected enrollment as computed in (a) to establish the augmented projection of enrollment.
- (c) The projected enrollment of a HSAA or Super HSAA shall be computed in the same manner as that set forth in this section, except that the enrollment used in such computation shall be that of the HSAA or Super HSAA rather than the entire district. Augmentation as provided in (b) of this Section may include only dwelling units located in the HSAA or Super HSAA.

Note: Authority cited: Section 17070.35, Education Code.

Reference: Sections 17071.75 and 17071.76, Education Code.

ATTACHMENT D

STUDENT YIELD FACTOR REPORTING

Government Code Section 65995.6

65995.6. (a) The school facilities needs analysis required by paragraph (2) of subdivision (b) of Section 65995.5 shall be conducted by the governing board of a school district to determine the need for new school facilities for unhoused pupils that are attributable to projected enrollment growth from the development of new residential units over the next five years. The school facilities needs analysis shall project the number of unhoused elementary, middle, and high school pupils generated by new residential units, in each category of pupils enrolled in the district. This projection of unhoused pupils shall be based on the historical student generation rates of new residential units constructed during the previous five years that are of a similar type of unit to those anticipated to be constructed either in the school district or the city or county in which the school district is located, and relevant planning agency information, such as multiphased development projects, that may modify the historical figures. For purposes of this paragraph, "type" means a single family detached, single family attached, or multifamily unit. The existing school building capacity shall be calculated pursuant to Article 2 (commencing with Section 17071.10) of Chapter 12.5 of Part 10 of the Education Code. The existing school building capacity shall be recalculated by the school district as part of any revision of the needs analysis pursuant to subdivision (e) of this section. If a district meets the requirements of paragraph (3) of subdivision (b) of Section 65995.5 by having a substantial enrollment on a multitrack year-round schedule, the determination of whether the district has school building capacity area shall reflect the additional capacity created by the multitrack year-round schedule.

(b) When determining the funds necessary to meet its facility needs, the governing board shall do each of the following:

- (1) Identify and consider any surplus property owned by the district that can be used as a schoolsite or that is available for sale to finance school facilities.
- (2) Identify and consider the extent to which projected enrollment growth may be accommodated by excess capacity in existing facilities.
- (3) Identify and consider local sources other than fees, charges, dedications, or other requirements imposed on residential construction available to finance the construction or reconstruction of school facilities needed to accommodate any growth in enrollment attributable to the construction of new residential units.

(c) The governing board shall adopt the school facility needs analysis by resolution at a public hearing. The school facilities needs analysis may not be adopted until the school facilities needs analysis in its final form has been made available to the public for a period of not less than 30 days during which time the school facilities needs analysis shall be provided to the local agency responsible for land use planning for its review and comment. Prior to the adoption of the school facilities needs analysis, the public shall have the opportunity to review and comment on the school facilities needs analysis and the governing board shall respond to written comments it receives regarding the school facilities needs analysis.

(d) Notice of the time and place of the hearing, including the location and procedure for viewing or requesting a copy of the proposed school facilities needs analysis and any proposed revision of the school facilities needs analysis, shall be published in at least one newspaper of general circulation within the jurisdiction of the school district that is conducting the hearing no less than 30 days prior to the hearing. If there is no paper of general circulation, the notice shall be posted in at least three conspicuous public places within the jurisdiction of the school district not less than 30 days prior to the hearing. In addition to these notice requirements, the governing board shall mail a copy of the school facilities needs analysis and any proposed revision to the school facilities needs analysis not less than 30 days prior to the hearing to any person who has made a written request if the written request was made 45 days prior to the hearing. The governing board may charge a fee reasonably related to the cost of providing these materials to those persons who request the school facilities needs analysis or revision.

(e) The school facilities needs analysis may be revised at any time in the same manner, and the revision is subject to the same conditions and requirements, applicable to the adoption of the school facilities needs analysis.

(f) A fee, charge, dedication, or other requirement in an amount authorized by this section or Section 65995.7, shall be adopted by a resolution of the governing board as part of the adoption or revision of the school facilities needs analysis and may not be effective for more than one year. Notwithstanding subdivision (a) of Section 17621 of the Education Code, or any other provision of law, the fee, charge, dedication, or other requirement authorized by the resolution shall take effect immediately after the adoption of the resolution.

(g) Division 13 (commencing with Section 21000) of the Public Resources Code may not apply to the preparation, adoption, or update of the school facilities needs analysis, or adoption of the resolution specified in this section.

(h) Notice and hearing requirements other than those provided in this section may not be applicable to the adoption or revision of a school facilities needs analysis or the resolutions adopted pursuant to this section.

STATE ALLOCATION BOARD
IMPLEMENTATION COMMITTEE
July 9, 2004

PURCHASE AND CONVERSION OF NON-CONFORMING
BUILDINGS FOR SCHOOL USE

PURPOSE

To seek input from districts and design professionals regarding the costs of purchasing and retrofitting non-conforming buildings for school use; and to discuss possible funding options within the provisions of the School Facility Program (SFP).

BACKGROUND

The OPSC has been asked to look into the feasibility of funding for projects involving purchase and retrofit of existing buildings. Although the Education Code provides for such projects, districts claim that, while site acquisition funding applies to the cost of the land only, the base grant amount is insufficient to pay for the purchase and retrofit of the building(s). Districts also contend that retrofitting a non-conforming building may be a more cost-effective approach as compared to the traditional method of purchasing, demolishing and building a-new. The OPSC is seeking input on the issue and any possible real-life examples that may support districts' concern.

AUTHORITY

The Education Code Section (ECS) 17072.35 states that "a grant for new construction may also be used to acquire an existing government or privately owned building, or a privately financed school building, and for the necessary costs of converting the government or privately owned building for public school use."

DISCUSSION

Insufficient Number of Projects

Based on our knowledge, there are only two examples of completed conversion projects that include the purchase of the existing school by Bakersfield City Elementary School District and a conversion of a commercial building into a school by Pomona Unified School District. The OPSC has been approached by only a few districts that have contemplated conversion projects; this is not a rampant issue. In the absence of real-life examples, the OPSC is looking for information from districts on what are the circumstances that would prompt a school district to consider retrofitting a building in lieu of demolishing it.

Cost of a Conversion Project

The new construction grant for a project is determined by the number of pupils to be housed in a project and available pupil grants in the district's new construction eligibility. The new construction base grant pays the soft and hard costs of new buildings while site development and property acquisition costs are provided for with additional allowances. For a conversion project, in which a purchased building is retained for school use rather than demolished, the new construction base grant applies to the cost of the building as well as the required retrofit. The funding amount determined by the eligible pupil grants may be insufficient to fund the purchase and retrofit of existing buildings. The options below provide for some possible solutions.

Option 1: Supplemental Grant

Provide a mechanism for recognizing the cost savings of the conversion project. This may be done by performing a cost-benefit analysis comparing the costs of purchasing and retrofitting versus the costs of demolition and rebuilding. Once the cost differential is determined, this amount can be added to the eligible base grant via a new supplemental grant to the extent that the total State share of the project cost would not exceed what school district would have ordinarily realized under the SFP. The challenge in this approach is to determine the best method of identifying and verifying the cost savings.

Option 2: Adjusted Site Acquisition Amount.

In cases when the cost-benefit analysis indicates a savings to the State as compared to the cost of demolishing and re-building, include a portion of the building acquisition cost in the site acquisition funding amount to ensure equitable funding for a project. Staff believes this is permissible considering building values are commonly included in the site acquisition cost in traditional demolition-new construction scenarios. The basic premises of this option are as follows:

- Consider for a conversion project under current Regulations, the entire cost of the building must be covered by the base grant.
- This proposal will provide that the cost of the building, absent the retrofit costs, will be covered by the base grant.
- Under circumstances when the retrofit costs are equal or greater than the cost of the building, none of the building cost will be required to be covered by the base grant and the site acquisition apportionment will cover the building and land costs.

The challenge presented by this option is to determine what portion of the building cost may be included in the site acquisition amount. Staff suggests that the unusable building value, as explained in detail in the attachment, be included in the site acquisition funding amount. The concept of the unusable value is derived from the fact that the purchase price of the building should be fairly close to its fair market value, defined as the most probable price for which the property will sell in a competitive market. However, a school district cannot use the building in its current state due to the requirement of the Field Act. Thus the value of the building to the district has to take into account the cost of retrofit. Therefore, the useable value is the cost to buy the building minus the cost to retrofit, leaving the remaining portion of the value as "unusable." This unusable portion of the value is then eligible for site acquisition funding.

Funding for a conversion project that includes funding of an existing building within the site acquisition grant should never exceed the amount of funding that could be otherwise apportioned for a traditional demolition-new construction SFP project. In addition, a conversion project must meet the 60 percent commensurate test and ensure that the pupil grants reduced from new construction baseline eligibility are equal to the capacity of the project.

RECOMMENDATION

Overall, there is insufficient data on the issue to recommend any changes to the Regulations at this time. Staff suggests discussing with districts the ability to purchase and convert buildings for school use and the funding available under the School Facility Program (SFP) for such projects.

ATTACHMENT

Calculation:

Assume that appraised value of the property equals its Purchase Price (PP) and provides a separate cost analysis for land-only value and building-only value.

Step 1:

Value of Building (B) - Cost to Retrofit (R) Useable Building Value (V) <i>If negative, use zero</i>
(The useable building Value must be covered by base grant.)

Step 2:

Value of Building (B) - Useable Building Value (V) Unusable Building Value (U) (This equals the compensation for required retrofit)
--

Step 3:

Pure Land Costs (L) + Unusable Building Cost (U) Site Acquisition Grant (S) (This is the adjusted site acquisition cost that accounts for retrofit cost in-lieu of demolition)

Step 4: State Project Cost Comparison

Conversion Project	Traditional Demolition-New Construction Project
Cost of Project X is the sum of: <ul style="list-style-type: none"> Land Cost + Unusable Value Base Grant (G) Incidental Site Development 	Cost of Project Y is the sum of: <ul style="list-style-type: none"> Land Cost + Entire Building Value <i>which equals the purchase price (PP)</i> Base Grant Site Development including demolition

A cost analysis must demonstrate that the cost of Project X is equal to or lesser than the cost of Project Y in order for a school district to qualify for funding as project X, i.e. presents savings for the State or demonstrates no additional costs. Districts may utilize this funding option to the extent it does not exceed a traditional demolition-new construction project.

Examples:

Below is a summary of hypothetical examples for discussion purposes only.

Example 1: Assume the following costs (in millions) for District A:

PP: \$ 8	<u>Step 1:</u> B - R = V	\$4 - \$4 = \$0	<i>useable building value</i>
L: \$ 4	<u>Step 2:</u> B - V = U	\$4 - \$0 = \$4	<i>unusable building value</i>
B: \$ 4	<u>Step 3:</u> L + U = S	\$4 + \$4 = \$8	<i>Site Acquisition Grant</i>
R: \$ 4	<u>Step 4:</u> Conduct a cost comparison and ensure that the amount provided never exceeds the cost of the traditional approach of purchasing, demolishing and rebuilding.		
G: \$ 5			

District's Cost	Conversion per Current Regulations	Conversion Per Proposed Calculation	Traditional Demolition – New Construction Project
\$ 8 Purchase Price \$ 4 Retrofit \$ 1 Some Site Dev.	\$ 4 Land only \$ 5 Base Grant \$ 1 Some Site Dev.	\$ 8 Site Acquisition \$ 5 Base Grant \$ 1 Some Site Dev.	\$ 8 Site Acquisition \$ 5 Base Grant \$ 2 Site Dev. w/Demolition
\$13 total	\$10 total	\$14 total	\$15 total

Example 2: Assume the following costs (in millions) for District B:

PP: \$ 6	<u>Step 1:</u> $B - R = V$ $\$2 - \$6 = \$0$ <i>useable building value</i>
L: \$ 4	<u>Step 2:</u> $B - V = U$ $\$2 - \$0 = \$2$ <i>unusable building value</i>
B: \$ 2	<u>Step 3:</u> $L + U = S$ $\$4 + \$2 = \$6$ <i>Site Acquisition Grant</i>
R: \$ 6	<u>Step 4:</u> Conduct a cost comparison and ensure that the
G: \$ 5	amount provided never exceeds the cost of the traditional
	approach of purchasing, demolishing and rebuilding.

District's Cost	Conversion per Current Regulations	Conversion Per Proposed Calculation	Traditional Demolition – New Construction Project
\$ 6 Purchase Price \$ 6 Retrofit \$ 1 Some Site Dev.	\$ 4 Land only \$ 5 Base Grant \$ 1 Some Site Dev.	\$ 6 Site Acquisition \$ 5 Base Grant \$ 1 Some Site Dev.	\$ 6 Site Acquisition \$ 5 Base Grant \$ 2 Site Dev. w/Demolition
\$13 total	\$10 total	\$12 total	\$13 total

Example 3: Assume the following costs (in millions) for District C:

PP: \$10	<u>Step 1:</u> $B - R = V$ $\$6 - \$2 = \$4$ <i>useable building value</i>
L: \$ 4	<u>Step 2:</u> $B - V = U$ $\$6 - \$4 = \$2$ <i>unusable building value</i>
B: \$ 6	<u>Step 3:</u> $L + U = S$ $\$4 + \$2 = \$6$ <i>Site Acquisition Grant</i>
R: \$ 2	<u>Step 4:</u> Conduct a cost comparison and ensure that the
G: \$ 5	amount provided never exceeds the cost of the traditional
	approach of purchasing, demolishing and rebuilding.

District's Cost	Conversion per Current Regulations	Conversion Per Proposed Calculation	Traditional Demolition – New Construction Project
\$10 Purchase Price \$ 2 Retrofit \$ 1 Some Site Dev.	\$ 4 Land only \$ 5 Base Grant \$ 1 Some Site Dev.	\$ 6 Site Acquisition \$ 5 Base Grant \$ 1 Some Site Dev.	\$10 Site Acquisition \$ 5 Base Grant \$ 2 Site Dev. w/Demolition
\$13 total	\$10 total	\$12 total	\$17 total